

***United States Court of Appeals
for the Second Circuit***



**APPELLANT'S
REPLY BRIEF**

ORIGINAL

76-7177

United States Court of Appeals
FOR THE SECOND CIRCUIT

RAYMOND ROHAUER and CECIL W. HULL,
Plaintiffs-Appellees,
against

KILLIAM SHOWS, INC., PAUL KILLIAM, EDUCATIONAL BROADCASTING CORPORATION, and THE BOWERY SAVINGS BANK,
Defendants,

KILLIAM SHOWS, INC., EDUCATIONAL BROADCASTING CORPORATION,
Defendants-Appellants.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR
THE SOUTHERN DISTRICT OF NEW YORK

REPLY BRIEF FOR APPELLANTS

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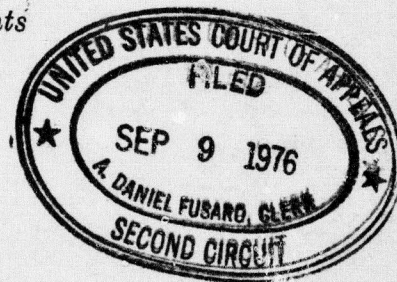


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REPLY BRIEF FOR APPELLANTS

PRELIMINARY STATEMENT

In their response to issues raised by Appellants Killiam Shows, Inc. (hereinafter "Killiam") and Educational Broadcasting Corp., Appellees Raymond Rohauer and Cecil Hull (hereinafter jointly referred to as "Rohauer," the sole party in interest) contend that the district court did not err in: 1) determining that exhibitions of the motion picture The Son of the Sheik, copyright in which is owned by Killiam, infringed Rohauer's interest in the renewal copyright of the novel The Sons of the Sheik; 2) failing to determine that Rohauer's complaint should have been dismissed on the basis of the equitable doctrine of unclean hands; and 3) refusing to dismiss Rohauer's complaint on the ground of res judicata. The Authors League of America, Inc., in a brief amicus curiae, joined Rohauer in support of the district court's determination on the issue of copyright infringement. ^{1/}

Killiam and Broadcasting reassert their contention that the district court erred in respect to the three issues here on appeal. Rohauer's limited interest in the renewal copyright of the novel should not, under the purposes, language, and judicial interpretations of the Copyright Act, be construed to permit him to interfere with exhibitions of The Son of the Sheik, of which Killiam has uncontested copyright ownership. Nor should Rohauer's continuous pattern of misconduct, including unauthorized exhibitions of the motion picture in violation of Killiam's copyright, be overlooked; it clearly warrants a determination that he should be barred from prosecuting this action according to the doctrine of unclean hands. Finally, Rohauer cannot be excused from the res judicata consequences of a final, adverse decision in one of the many cases instituted by him on a cause of action grounded on the very question of law raised here.

^{1/} References to the various briefs and documents before this Court will be referred to by the following symbols:

- K - brief of Killiam and Broadcasting
- R - brief of Rohauer and Cecil Hull
- AL - brief of the Authors League of America
- UA - brief of the United Artists Corp.
- JA - Joint Appendix

ARGUMENT

- I. ROHAUER HAS NOT DEMONSTRATED THAT RENEWAL COPYRIGHT IN A NOVEL ACQUIRED BY THE AUTHOR'S STATUTORY SUCCESSOR IS INFRINGED BY EXHIBITION OF A MOTION PICTURE PREVIOUSLY CREATED UNDER UNRESTRICTED LICENSE BY THE AUTHOR.

In his brief, Rohauer contends that Section 24 of the Copyright Act, by creating a "new estate" of copyright renewal which vests in a specified class of statutory successors should an author die prior to the accrual of the renewal term in his copyrighted work, commands the result reached by the district court in the present case: that the limited rights assigned to Rohauer in the renewal copyright of the novel The Sons of the Sheik are infringed by exhibitions of a motion picture previously produced and independently copyrighted pursuant to an unrestricted consent from the novel's author. While the decision of the Supreme Court in Miller Music Corp. v. Charles N. Daniels, Inc., 362 U.S. 373 (1960), establishes the right of statutory successors to the renewal term of copyright notwithstanding prior assignments made by an author who predeceases the renewal term,^{2/} it does not compel the inherently inequitable result reached by the district court in this case. Rather, in a matter conceded by Rohauer to be of "first impression," albeit "in the strictest possible sense" (R 4), the proper interpretation of the Copyright Act requires reversal of the district court.

^{2/} While an attack upon the constitutionality of that interpretation of Section 24 which grants rights to a class of non-authors appears foreclosed for the moment by the decisions of the Supreme Court in Miller and DeSylva v. Ballentine, 351 U.S. 520 (1956), it must be remembered that the Constitution authorizes Congress "to Promote the Progress of Science and the useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. Const., Art. I, §8. At issue in both Miller and DeSylva were questions concerning the inclusion and priority of persons within the class of statutory successors in Section 24. See discussion of these cases at p. 4 and p. 12 of this Brief, infra. It does not appear that a possible constitutional defect of granting copyright protection to non-authors was considered in either of those cases. Nevertheless, it is clear that the interpretation of Section 24 approved in those cases diminishes the value to an author of his work by discounting its value to any potential purchaser -- in view of the possibility that the author's death will result in a nullification of a transfer of rights in the renewal term -- in favor of a class of non-authors, who may acquire rights to works they neither created nor purchased. (See discussion at K 37-39.)

An independently created and copyrighted motion picture, produced with the unconditional consent of the author of the novel on which it was partially based, should not be held to infringe renewal rights devolving by chance upon statutory successors under the "reversionary" provisions of Section 24. ^{3/}

- A. Rights in a Previously Authorized Motion Picture Are Not Included in Those Rights Acquired by Statutory Successors to the "New Estate" of Renewal Copyright in an Underlying Novel.

Rohauer and the Authors League both contend that the decision of the Supreme Court in Miller Music, supra, mandates the conclusion reached by the district court in this case (R 6, AL 5-8). ^{4/} Appellants have not questioned, on this appeal, the proposition for which this case stands: that those statutory successors, designated in Section 24 of the Copyright Act, may acquire a renewal

^{3/} Rohauer strenuously objects to the use of the terms "reversionary" and "recapture" to describe the involved portions of Section 24 of the Copyright Act in Appellants' brief (R 6). On the semantic point, it should be observed that scholarly writings on copyright revision have routinely referred to the rights of authors and their statutory successors as being "reversionary" in character. See, e.g., B. Ringer, "Renewal of Copyright," (General Revision of the Copyright Law, Study No. 31, 1960) 127 [1 Studies on Copyright 523 (Copyright Soc'y of U.S.A. 1963)]. Given this, Appellants' use of the term "recapture" (interchangeably with "reversion") to describe the reacquisition of previously alienated copyright interests through renewal, seems accurately descriptive.

Rohauer's objection does not establish real grounds of substantial distinction between the operation of present 17 U.S.C. § 24 and that of proposed Section 203 of the Copyright Revision Bill (see the discussion at K 42-46). Like the present Act, the Revision Bill requires what Rohauer terms "affirmative action" by an author or his successor to acquire a "new estate"; under proposed Section 203(a)(3), a license "termination" can be effected only by the giving of written notice within a specified period, much as renewal copyright under present Section 24 can be acquired only by registration during the final year of the original-term copyright.

^{4/} The Authors League also places primary reliance on the decision in DeSylva v. Ballentine, 351 U.S. 570 (1956). A reading of that case (which is concerned with the issues of whether the children of a deceased author take the renewal term under Section 24 as a class with the surviving spouse, and whether illegitimate offspring are within the statutory classification of "children") discloses that the Supreme Court there took no position on the question of the extent of the author's power to alienate the renewal term during his lifetime. DeSylva is relevant, if at all, only on issues of copyright policy. See p.12 of this Brief, infra.

copyright in spite of an assignment of the renewal term which would have been valid had the author survived the expiration of the initial term. This decision is not, however, determinative of the present case.

In Miller Music, the principal question before the Supreme Court was whether Section 24 gave the executor of an author's estate the same rights to claim renewal copyright which accrue to other statutorily-designated successors. The Court held that, subject to the priority of other designated successors, the executor's rights were the same. The case indicates that, when an author dies during the original term, the statutorily-designated successors acquire the renewal term notwithstanding the author's prior assignment of the rights to claim renewal. It did not give any consideration to the scope of rights thus acquired. Certainly it gives no indication that, when a renewal copyright is thus acquired, rights spring into existence entitling the renewal owner to claim infringement by the continued use of derivative works, such as motion pictures, created prior to the accrual of the renewal term with unrestricted consent of the author.

Nor do decisions in Fitch v. Shubert, 20 F. Supp. 314 (S.D.N.Y. 1937) and G. Ricordi & Co. v. Paramount Pictures, Inc., 189 F.2d 469 (2d Cir. 1951) dictate the outcome reached by the district court in the instant case. As Appellants have demonstrated (K 24-32), these cases are clearly distinguishable from the instant case: neither involved claims that continuing use of derivative works, created and copyrighted during the initial term of copyright in the underlying work, constituted infringements of a renewal copyright acquired by the statutory successors of the author of the underlying work pursuant to the reversionary provisions of Section 24. Moreover, Rohauer acknowledges that the language from Fitch on which he relies is dictum (R 9). He also recognizes that Ricordi deals solely with the issue of whether the holder of a limited license from an author can rely on this permission to create a new derivative work after renewal has brought the license term to an end (R 10), rather than the issue raised in the instant case.

The distinction drawn between previously decided cases and the present case is critical. The effect of Section 24 in voiding assignments of the right to claim renewal copyright made by an author who predeceases the renewal term is beyond dispute in light of Miller Music. But there exists no reason, other than adherence to inapposite case law, for the operation of Section 24 to permit a statutory successor to claim infringement by -- and seek to enjoin -- exhibitions of a derivative work which had been created with consent and without restriction as to future use, during the initial term of copyright in the underlying work. ^{5/}

B. The Motion Picture is Not Subject to the Reversionary Effect of Section 24 by Virtue of its Status as a Derivative Work.

In his brief, Rohauer states that the result urged by Appellants would overturn "substantially every case decided under § 24 of the present Copyright Act" (R 19), and suggests that to reach that result would involve impermissible "judicial legislation" (R 7). The Authors League also makes the latter argument. In fact, however, Appellants urge only that this Court continue the process of judicial interpretation and elucidation of Section 24 which has been ongoing since the enactment of the Copyright Act of 1909 (K 20-24), and in which this Court has taken a prominent part throughout.

The Act itself is silent on the point of interpretation involved here. So, too, is the decision in Miller Music. Rohauer's claim involves interpretation of the statute in light of this Court's important dictum in G. Ricordi & Co. v. Paramount Pictures, Inc., supra, to the effect that the "new estate" of renewal copyright is "free and clear of all rights, interests, and licenses granted under the original copyright." 189 F.2d at 471. Although the facts of Ricordi make it inapposite as a precedent here (see discussion at K 24-26), the meaning

^{5/} Rohauer (R 8-10) and the Authors League (AL 12) both rely on the opinions of copyright commentators in support of the district court's interpretation of Section 24. While it is true that such authorities as Professor Nimmer do lend such support, equally prestigious authorities have remarked upon the absurdity of the consequences of such an interpretation (UA 19-21). The weight to be given commentators' opinions depends on the soundness of their reasoning.

of this broad language is at the heart of the dispute here presented. And it is peculiarly within the competence of this Court to further interpret the meaning of the phrase, without upsetting expectations founded in settled law and without invading the province of Congress. ^{6/}

Section 7 of the Copyright Act suggests that the "consent" of the owner of a copyrighted work is an invariable condition to the lawful creation and exploitation of any derivative work based, in whole or part, thereon. The cases make clear that such consent may be express or implied, and that, once given without restriction, it cannot ordinarily be withdrawn, Ilyin v. Avon Publications, 144 F. Supp. 368 (S.D.N.Y. 1956) (consent to translation by subsequent implied ratification), Edmonds v. Stern, 248 F. 897 (2d Cir. 1918) (implied consent arising from production of derivative musical arrangement by copyright owner of underlying song survives transfer of song copyright). ^{7/} On the face

^{6/} When compared with the sweep of the exercise of judicial power to invest ambiguous statutes with plain meaning through resort to considerations of history and policy undertaken by the Supreme Court in Fred Fisher Music Co. v. M. Witmark & Sons, 318 U.S. 643 (1943) (see discussion at K 21-23), the clarification of the Ricordi dictum which Appellants seek here involves only a limited venture into statutory construction.

The appropriateness of such clarification is particularly clear because Ricordi, unlike the instant case, did not involve a "new estate" accruing through statutory succession; the license there construed was found to have been drawn so as to be limited to the initial term of copyright in the underlying work.

^{7/} The freedom from unreasonable interference thus enjoyed by owners of derivative works vis-a-vis owners of underlying works is the essence of the "independence" of derivative works discussed in Appellants' initial brief (K 14-19). The issue presented here is whether this freedom should extend into the renewal term. Rohauer argues that because Edmonds does not address this issue directly, it is irrelevant to the decision of the instant case (R 15). Appellants contend that Edmonds remains significant as an indication of direction available to this Court in resolving the point.

Appellants recognize that, in the light of Gilliam v. American Broadcasting Companies, ___ F.2d ___, No. 75-7693 (2d Cir., June 30, 1976), and the cases cited therein, sl. op. at 4559-4560, the issue of the identity of the proprietor to whom a right of action for infringement of a derivative work accrues appears settled. This, however, in no way affects Appellants' right to exhibit the motion picture involved here.

of the Copyright Act of 1909, and its legislative history, there is no indication of congressional purpose necessitating that the phrase "rights, interests, and licenses" in Ricordi be literally interpreted as referring even to those grants of permission which constitute "consents" for the creation of derivative works in the sense of 17 U.S.C. § 7 and which have been relied upon in creating derivative works. ^{8/} Compelling considerations of copyright policy (K 33-39, 42-46) and established principles of statutory construction (K 39-42) indicate that it should not. Both Rohauer and the Authors League contend that, because exclusive rights in a derivative work copyrighted under Section 7 extend only to the "new matter" contributed by the creator of the work -- a proposition Appellants have never disputed -- a motion picture such as The Son of the Sheik is continuously subject to the copyright in underlying work on which it is based (R 11-16, AL 11-14).

The statute declares that publication of a new work defined in Section 7

shall not affect the force or validity of any subsisting copyright upon the matter employed or any part thereof, or be construed to imply an exclusive right to such use of the original works, or to secure or extend copyright in such original works.
17 U.S.C. § 7

^{8/} Appellants do not assert that the status of the involved motion picture as a work actually copyrighted under Section 7 is necessary to properly construe the reach of a statutory successor's reversionary interest under Section 24: on the contrary, had the motion picture never been copyrighted, its status as a public domain work would neither increase nor decrease the rights appurtenant to the renewal copyright in the novel. Accordingly, if Appellants' interpretation of Section 24 is correct, a motion picture in the public domain would, consistent with the purpose of copyright, be freely available to the public. See Baker v. Selden, 101 U.S. 99 (1879). The interpretation of Section 24 championed by Rohauer, however, would result in certain public domain works remaining subject to copyright restraint exercised by the statutory successor to those who had authorized the creation of the public domain works.

The motion picture's status as a separately-copyrighted derivative work, containing throughout of "new matter" which is entitled to protection under the Copyright Act (K 14-15), merely underlines the importance of liberating its use from unreasonable restrictions.

And, as this Court recently reconfirmed in Gilliam v. American Broadcasting Companies, Inc., ___ F.2d ___, No. 75-7693 (2d Cir., June 30, 1976), sl. op. 4551-4575, a copyright secured under Section 7 protects only material original to that work, and does not protect the Section 7 copyright proprietor against claims of infringement for unconsented-to modifications of the underlying work. Id. at 4559. Rohauer, however, misconstrues the applicability of these principles to the instant case.

Section 7, in providing that copyright in an authorized new work "shall not affect the force or validity of any subsisting copyright upon the matter employed or any part thereof," accomplishes two purposes: it assures that the use of previously copyrighted material in a new work will not extend copyright protection for the underlying material beyond its own term; it also guarantees that the copyright in the pre-existing material will not be invaded, except insofar as its proprietor has permitted use of that material. See Nimmer on Copyright § 41 (1975). This Court correctly interpreted Section 7 in Gilliam, supra, holding that:

One who obtains permission to use a copyrighted script in the production of a derivative work, however, may not exceed the specific purpose for which permission was granted.
Sl. op. at 4560.

Ricordi is there cited as a case in which the scope of a license had been drawn into question. Appellants reiterate, however, that this issue in Ricordi arose only in connection with an attempt to create a new derivative work, after a license including no grant of rights in the renewal term had expired. Ricordi can be viewed as holding only that consent to the creation of derivative works can be conditioned by the terms of a license in which it is embodied. This case, by contrast, involves no assertion of rights under a limited license. At issue here are exhibitions of a motion picture authorized and created pursuant to an

unquestionably valid and unrestricted consent.^{9/} The interest of Rohauer and Hull in assuring that derivative works based on Edith Hull's novel be created and exploited within predetermined bounds is not, in this case, compromised.

The Authors League indicates additional authority in apparent indirect support of an argument that the securing of renewal by a statutory successor should cut off use of derivative works. But the cases cited do not, in fact, support the proposition. Both Chappell & Co. v. Middletown Farmers Market & Auction Co., 334 F.2d 303 (3d Cir. 1964) and Irving Berlin v. Daigle, 31 F.2d 832 (5th Cir. 1929) stand merely for the proposition that one who lawfully acquires a copy of a copyrighted work does not thereby acquire any right to use that copy for commercial gain. Clearly, Killiam's predecessor-in-interest received more through his agreement with Cecil Hull's deceased mother than does a retail purchaser of sheet music or phonograph records. The question posed for decision here is not what rights that predecessor acquired, but whether enjoyment of a work created pursuant to that grant should be denied to a successor in ownership of the motion picture copyright.

9/ In passing, Rohauer argues that the prints of The Son of the Sheik broadcast on WNET constitute "second-generation" derivative works within the rule of Ricordi (R 10, n.7). But it is difficult to see how any addition of discreet new non-dramatic matter to the 1926 film could constitute the making of a new work so long as the original motion picture itself remained intact, nor is it apparent how the use of the film for television broadcast (as distinct from theatrical exhibition, for example) can change its status as an authorized "first-generation" dramatic work, if the initial grant of rights by the author was not limited to particular uses. See Bartsch v. Metro-Golwyn-Mayer, Inc., 391 F.2d 150 (2d Cir. 1968). Nor does the recent Gilliam case, which is cited by Rohauer on this point, offer support for his position. There, this Court held that extensive "modification" of a derivative work could, where barred by the original license permitting the creation of that work, amount to a copyright violation. It did not hold that even a "mutilated" version was to be considered a new derivative work. Indeed, it was recognized that "licensees are entitled to some small degree of latitude in arranging the licensed work for presentation to the public..." *Sl. op.* at 4566. If, as Appellants contend, the original consent of Edith Hull to the creation of the derivative motion picture is the ultimate source of Killiam's entitlement to exhibit that motion picture, this principle should apply a fortiori to its activities.

C. Public Purposes of Copyright and the Proposed Copyright Revision Bill are Proper Considerations in Construing the Reversion Provisions of Section 24.

Neither Rohauer's contention that this Court is foreclosed from considering policy arguments in construing Section 24 (R 17), nor the Authors League's argument that policy considerations favor the construction of Section 24 adopted by the district court (AL 13-16), is tenable. The Supreme Court did not deny that considerations of public policy bore on a proper construction of Section 24 in its decision in Miller Music Corp. v. Daniels, Inc., 362 U.S. 373 (1960). It only indicated that the statute was to be read consistently in deciding to give executors the same rights to which surviving spouse or child would succeed. 362 U.S. at 377. ^{10/} No like issue, however, is before this Court.

The underlying purposes of copyright are appropriately considered whenever issues unforeseen by the drafters of the 1909 law arise. As the Supreme Court made clear in both Twentieth Century Music Corp. v. Aiken, 422 U.S. 151 (1975), and Fortnightly Corp. v. United Artists, 392 U.S. 390 (1967), for example, the Copyright Act must be construed, when affected by technological change since its enactment in 1909, ^{11/} in light of its primary purpose: to encourage public access to works of authorship. 422 U.S. at 156; 392 U.S. at 395-96. And as

^{10/} Writing for a minority of four in Miller Music, Mr. Justice Harlan accurately pointed out that the construction he gave to Section 24

is not to "refashion" it, but only to appraise the competing claims of the author's assignee and those named in § 24 in light of the policy indicated by the manner in which the various interests are dealt with by the statute. The "symmetry and logic" of the provision is a dynamic, not a static or syntactical, symmetry and logic.

362 U.S. at 383.

^{11/} Certainly television performances of motion pictures (which were themselves only imperfectly understood in 1909) represent technological change similar to that considered in Aiken and Fortnightly. More fundamentally, however, there is no indication in the legislative history of the 1909 Act that conflicts between holders of Section 7 "new work" copyrights and owners of Section 24 renewals were foreseen when these provisions were originally enacted.

Appellants demonstrated in their initial brief (K 33-42), that policy is ill-served by the construction placed on Section 24 by the district court: not only does it operate as a disincentive to the creation of works for eventual public dissemination, but it also discourages the use of existing works in the creation of new works.

Rohauer and the Authors League respond only in part to the analysis of the purposes of copyright protection urged by Appellants in support of a rule permitting continued use of lawfully created and copyrighted derivative works during the renewal terms of underlying works (R 17, AL 13-17, K 33-42). And this response is unconvincing even on the points addressed. The Authors League, for example, appears to contend that any need to consider the desirability of promoting public access to classic motion pictures is foreclosed by the presence of "a veritable flood of old films" on television (AL 15). Appellants' argument, however, is not cast in terms of sheer bulk or numbers, and cannot be refuted in those terms. The public interest in access to works of creativity cannot be analyzed on the assumption that such works are fungible; rather, that interest is fully vindicated only when all works are made available free of unreasonable restriction. What if the public were to be deprived of but one book? There is, obviously, no lack of them. ^{12/}

Perhaps more significantly, the Authors League states that the Supreme Court, in DeSylva v. Ballentine, 351 U.S. 570 (1956), rejected Appellants' argument that to multiply unnecessarily powers of control over the use of copyrighted derivative works would contravene the constitutional purpose of "promoting" the

^{12/} The assertion of both Rohauer (R 20) and the Authors League (AL 11), that United Artists' description of industry practices (UA 26-27) supports the construction of Section 24 adopted by the district court, seems similarly misguided. It appears only that industry practices have reflected the in terrorem effect of potential law suits on the distribution of motion pictures having insufficient commercial value to justify such risks of litigation. The result, of course, has been to deprive the public of all access to these motion pictures.

arts (AL 15, K 33-39). A reading of DeSylva does not support this statement. The Court there did not have occasion to consider the full range of interests -- including public interests -- noted by Appellants. In considering whether authors' surviving spouses and children take as a class under 17 U.S.C. § 24, the Court limited itself to responding to an argument that "the value of the copyright depends in large part on the ability to convey publication rights [and] the statute should not be construed to diminish the value of the copyright by scattering its ownership, which might make it difficult to transfer clear title." Id. at 579.

More importantly, the Court did not "reject" even this narrowly-focused argument. Rather, it found itself barred by the "explicit history of prior legislation" from considering otherwise meritorious policy arguments. Appellants contend that legislative history of Section 24 poses no similar bar for this Court, especially since the content of the Section 24 "new estate" has been established exclusively through interpretative judicial decision-making with appropriate reference to policy grounds. See, e.g., Fred Fisher Music Co. v. M. Witmark & Sons, supra.

Finally, the effect of Section 203 of the proposed Copyright Revision Bill on the construction of the reversionary provisions of Section 24 must be determined in accord with the standards established by this Court in Goodis v. United Artists Television, Inc., 425 F.2d 397 (2d Cir. 1970). Rohauer and the Authors League argue that Section 203 represents such a fundamental change in the copyright laws that it cannot be of aid in construing the present renewal provisions of Section 24 (R 18, AL 16-18). They fail to point out, however, that the fundamental change reflected in Section 203 of the Revision Bill is the change from two terms of copyright -- initial and renewal -- to a single term of protection, based on the life of the author plus 50 years, or 75 years in works created for corporate employers. The provision for a reversion of

rights to the author upon expiration of a specified period of time in Section 203 represents a provision in the Revision Bill which is consistent in purpose with the "second chance" for authors provided by a renewal term under the present Section 24. ^{13/} Thus, the construction of Section 24 for which Appellants contend is consistent with the provision in Section 203 exempting derivative works from recapture through reversion of rights in the underlying work. ^{14/} The standards set forth in Goodis itself (see discussion at K 42-46) should determine whether this Court is to be guided here by the proposed Revision Bill.

For all these reasons, the decision of the district court that exhibitions of the motion picture The Son of the Sheik infringed rights claimed by Rohauer must be reversed. Such reversal by this Court would rely on sound, accepted principles of copyright law, statutory construction, and equity -- and would not, as Rohauer and the Authors League disparagingly suggest, amount to "judicial legislation."

^{13/} This is clearly the implication of the Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law: 1965 Revision Bill, 89th Cong., 1st Sess. (1965), which the Authors League mistakenly cites in support of its argument (AL 18).

^{14/} As noted by Rohauer (R 18), the motion picture companies were active in advocating Section 203(b)(1) of the Copyright Revision Bill, which partially excepts derivative works from the operation of the Bill's provisions for "termination" of licenses in Section 203(a)(3). In so doing, however, they were attempting to achieve a fair balance among competing interests under the new statutory scheme, analogous to that urged here by Killiam as a proper reading of the present Copyright Act. The statements on behalf of the motion picture industry embodied in the Revision Bill's legislative history do not -- as Rohauer suggests (R 8, n.5) -- include explicit or implicit concession that the law now stands as the trial court found it, but deal exclusively with the operation of the proposed legislation.

II. ROHAUER HAS FAILED TO OFFER ANY CONVINCING REBUTTAL TO APPELLANTS' CONTENTION THAT THE DISTRICT COURT ERRED IN DETERMINING THAT ROHAUER WAS NOT BARRED FROM PROSECUTING THIS ACTION BY UNCLEAN HANDS.

Rohauer's serious misconduct in regard to the motion picture The Son of the Sheik, in clear violation of Appellant Killiam's copyright, was detailed in Appellants' initial brief (K 46-52). In response to this evidence, Rohauer has admitted his own violation of rights in the novel prior to having received an assignment of those rights from his nominal co-plaintiff in 1965 ^{15/} on the assumption that violation of his co-plaintiff's rights through 1965 would not likely bar his recovery against Appellants under applicable principles of unclean hands. He has chosen, however, to ignore completely the evidence of his misconduct in relation to the motion picture, which is sufficient to compel the conclusion that the trial court erred in not applying equitable principles to bar his cause of action.

Evidence at trial indicated that Rohauer was responsible for unauthorized exhibitions of the motion picture in disregard of the copyright owned since 1961 by Gregstan Enterprises, Inc., and Killiam. Rather than respond to the glaring inconsistencies in his testimony as to his responsibility for such exhibitions (K 47-50), Rohauer has chosen either to ignore that testimony or misrepresent its significance. He asserts, for example, that his exhibitions of the motion picture through 1965 were authorized by Emil Jensen (R 21). He neglects to point out that Emil Jensen had assigned his copyright interest in the motion picture to Gregstan in 1961, and that Rohauer's exhibitions of the motion picture

^{15/} Only by admitting that he himself had infringed rights in the novel by exhibition of the motion picture could Rohauer consistently maintain that exhibitions of the motion picture under authority of Killiam infringed the rights in the novel obtained by Rohauer in 1965.

after that year were thus without authorization. ^{16/} Furthermore, he attempts no explanation of his admissions to having authorized exhibitions of the motion picture until 1967, 1968 or 1969, when, as Rohauer was well aware, a corporate entity under the control of Paul Killiam -- Gregstan from 1961 until 1968, and Killiam Shows, Inc., thereafter -- owned copyright in the motion picture (K 48, n.44).

Finally, Rohauer attempts to minimize the import of his testimony -- the falsity of which he makes no effort to deny -- concerning ownership of film materials in the motion picture, by alleging that this testimony "related to conduct on the part of appellee Rohauer claimed to have taken place in England" (R 21, n.13). In the first instance, Rohauer's later-contradicted admission of ownership of a 16 millimeter print was not even arguably related with his activities in England (JA 82). Furthermore, proof of his ownership in 1970 of a 35 millimeter version of the motion picture (JA 41-46) -- in light of the conflicts in his testimony and his ultimate denial of owning anything but an 8 millimeter print -- permits only an inference that he was using the higher quality (i.e., 16 millimeter and 35 millimeter) prints for unlawful purposes, and wished to obscure such uses. That some of these prints were at one time present in England in no way limits the uses -- unrestrained by geography -- to which they could have been put (K 49-50).

^{16/} Contrary to Rohauer's suggestion (R 21), the record does not disclose any basis for the conclusion that his post-1961 exhibitions might have been somehow authorized in his pre-1961 dealings with Jensen. But it is axiomatic that ownership of physical property in copies of a copyrighted work is distinct from possession of any right to use those copies without the consent of the owner of the intellectual property. 17 U.S.C. § 27. Thus, no affirmative "restrictions as to use" need have been imposed by Jensen to render Rohauer's post-1961 exhibitions violations of the motion picture copyright then owned by Killiam or its predecessor Gregstan.

Further, the record shows that, subsequent to 1961, Rohauer did acquire prints of the motion picture from sources other than Jensen (K 49-50).

Rohauer's contention that the equitable defense of unclean hands is not merited by application of appropriate judicial standards in the present case is not supported in his brief (R 22-25). The defense of unclean hands is not moribund, as Rohauer would have this Court believe, and is successfully asserted when a plaintiff is guilty of sufficiently egregious conduct. See Tempo Music, Inc. v. Myers, 407 F.2d 503 (4th Cir. 1969). The standards for determining such conduct mandate the imposition of the sanction in the present case.

Authority cited by Rohauer does not support his contention that dismissal of his complaint is unwarranted. Bentley v. Tibbals, 223 F. 247 (2d Cir. 1915) cuts, if at all, against him. There, this Court stated that the equitable defense of unclean hands will be invoked only if plaintiff's misconduct constitutes an offense against the defendant relating to the subject matter of the litigation, rather than an offense against the United States which did not affect the defendant, 223 F. at 252. Rohauer's past infringements of copyright in the motion picture relate directly to the subject matter of this litigation, and invaded Killiam's interests. Indeed, the facts presented to this Court in T. B. Harms & Francis Day & Hunter v. Stern, 231 F. 645 (2d Cir. 1916), where the defense of unclean hands was recognized, presented a much weaker case for invoking the defense than do the facts of the instant case. There, the misconduct giving rise to the defense was ascribed to plaintiffs as the agents of one who had contracted in bad faith; here, the misconduct complained of is that of Rohauer himself.

Finally, Rohauer failed to offer any credible evidence to sustain the burden of proof, unquestionably his, that he had abandoned his unlawful acts and that their effects had been dissipated; the mere recitation of cases to support this rule (R 24) cannot replace the necessary evidence. And there was every indication from Rohauer's contradictory -- and, in certain instances, unquestionably false -- testimony that certain of his unlawful practices and their consequences were unabated.

The principles of unclean hands, as set forth in Precision Instruments Mfg. Co. v. Automotive Maintenance Machinery Co., 324 U.S. 806 (1944), and Keystone Driller Co. v. General Excavation Co., 290 U.S. 240 (1933), ^{17/} (see discussion at K 57-58) are as applicable to copyrights as to patents when the litigation involves equitable rights. See Colonial Book Co. v. Oxford Book Co., 45 F. Supp. 551 (S.D.N.Y. 1942) (citing Keystone Driller as source of unclean hands principles for application in copyright infringement action). These principles may be applied as a matter of law by appellate courts at their own initiative, as this Court indicated in Bentley v. Tibbals, 223 F. at 252; see also Keystone Driller, 290 U.S. at 245-46. Rohauer's contention that this Court is bound by a "clearly erroneous" test in reviewing the decision of the district court in this matter (R 25), without any citation to authority, is thus clearly mistaken. So was the district court, in belittling the equitable defense of unclean hands and failing to apply it in the instant case.

III. ROHAUER HAS FAILED TO DEMONSTRATE THAT THE DISTRICT COURT DID NOT ERR IN REFUSING TO DISMISS HIS COMPLAINT BECAUSE OF THE RES JUDICATA EFFECT OF THE IOWA JUDGMENT.

The facts giving rise to the dismissal of Rohauer's cause of action in Iowa are contained in the decisions of the district court and court of appeals, discussed in Appellants' initial brief (K 59-61). Rohauer now argues that he is blameless for the results of the Iowa litigation, and improperly implies that his litigious conduct was necessitated by Killiam's infringing activities. He

^{17/} Inadvertently mistitled "Keystone Drilling Co. v. General Electric Co." in Appellants initial brief.

then argues, notwithstanding the unequivocal nature of the dismissal of his cause of action in Iowa, that the dismissal there has no res judicata effect on his cause of action here. Neither his modified version of the facts nor the authorities he cites, however, support the decision of the district court on this issue.

The conduct giving rise to dismissal of Rohauer's complaint in Iowa has been the source of two federal court decisions, which are no longer subject to review. Rohauer's efforts to justify his conduct can therefore be passed over. But his attempts to depict Killiam as the party responsible for his own litigious behavior, and to argue, in retrospect, that the Iowa action should have been stayed pending decision here, cannot so easily be overlooked. Rohauer could have litigated all alleged infringement claims against Killiam, and sought to enjoin infringing uses of the motion picture throughout the country, in any single jurisdiction in which Killiam was properly found. Davis v. E. I. DuPont de Nemours & Co., 249 F. Supp. 329 (S.D.N.Y. 1966). Indeed, considering the res judicata consequences of failing to litigate all existing related claims in a single action, he probably should have done so. See Commissioner v. Sunnen, 333 U.S. 591 (1947); Flood v. Besser, 324 F.2d 590 (3d Cir. 1963). Claims that Rohauer instituted five separate actions for fear of running of statutes of limitations, or because of continued infringement attributed to Killiam in various jurisdictions, are simply spurious.

While pointing out that the district court in Iowa declined to stay the action there pending outcome of the instant case (R 26), Rohauer neglects to mention that he opposed the stay sought by defendants in that case, and prevailed by convincing the district court there that a judgment in New York would not be dispositive of the Iowa litigation -- a position which Rohauer later

reversed. ^{18/} It was Rohauer who pressed the litigation in Iowa, and he must suffer the consequences of the adverse decision there.

Conceding that a dismissal under Rule 37(d) of the Federal Rules of Civil Procedure has res judicata effect (R 27), Rohauer questions whether Killiam is in privity with the defendant in Iowa, and contends that the two causes of action are not the same for res judicata purposes. The privity of Killiam with the defendant in Iowa has been too well established to merit further discussion (K 62). Only the contention that the Iowa and New York actions are insufficiently identical merits reply.

The essence of Rohauer's argument is that res judicata principles are inapplicable where two actions for infringement of the same copyright against the same defendant (or defendants in privity) involve differing particular alleged infringing acts. Citing the Restatement of Judgments § 61[c], Rohauer states that it is "clearly established" that, under res judicata, the action barred and the action from which a bar arises must be "based on the same transaction." Rohauer thus ignores the modern tendency of the courts and commentators to give the "transaction" standard a broad reading, consistent with essential fairness. Indeed, the American Law Institute's new Restatement (Second) of Judgments (Tentative Draft No. 1, March 25, 1973), provides at Section 61(1) that:

When a valid and final judgment rendered in an action extinguishes the plaintiff's claim...the claim extinguished includes all rights of the plaintiff to remedies against the defendant with respect to all or part of the transaction, or series of connected transactions, out of which the action arose. (emphasis supplied)

^{18/} The facts of Rohauer's initial opposition to staying the Iowa action, and his subsequent change of position on the binding effects of a decision in one jurisdiction on the cause of action in the other, are set forth in the Iowa district court decision. Rohauer v. Eastin-Phelan Corp., No. 72-25-D (S.D. Iowa, Feb. 7, 1974), aff'd, 499 F.2d 120 (8th Cir. 1974) (JA 47-53).

And a "pragmatic" standard for determining the scope of a "transaction" or "connected series" is urged. Id. at § 61(2). ^{19/}

Under such a standard, the fact that a series of alleged copyright infringements is asserted to have been part of a continuing course of business practice on the part of a defendant and its licensees is entitled to weight. So, too, is the circumstance that, since all the infringing acts are alleged to have invaded the identical property right, they could conveniently have been joined in a single action, and tried with substantially the same witnesses and proofs. Consistent with this authority, it is Appellants' contention that the complete identity of the legal issues involved in Rohauer's two district court actions, together with the substantial similarity and practical interrelatedness of the alleged infringing acts, makes the two causes of action the same for res judicata purposes.

In asserting that these two causes of action are not the same for res judicata purposes, Rohauer relies most heavily on the decision of the United States District Court for Delaware in the case of Nickerson v. Kutschera, 295 F. Supp. 1 (D. Del.), rev'd on other grounds, 419 F.2d 983 (3d Cir. 1969). Because the defendants in the two causes of action there discussed by the district court were entirely unrelated, res judicata could not have been invoked to bar the subsequent action (K 67). Moreover, insofar as the district court did indicate that successive actions for infringement of the same patent -- or, as here, copyright -- are not the same cause of action for res judicata purposes, it was stating a view contrary to that of appellate courts ruling on the same issue. The conclusion drawn from the cases of Vanderveer v. Erie

^{19/} The Second Restatement's example of facts involving a "connected series" of transactions -- the situation in which "a person trespasses daily upon the land of another for a week" -- is instructive. Id. at 84-85. It is, incidentally, carried over from the first Restatement of Judgments, where it appears in Comment f. to Section 62 as an illustration of the scope of a single cause of action.

Malleable Iron Co., 238 F.2d 510 (3d Cir. 1956), cert. denied, 353 U.S. 937 (1957), and Switzer Bros., Inc. v. Chicago Cardboard Co., 252 F.2d 407 (7th Cir. 1958), is inescapable: two successive actions for infringement of the same intellectual property right are identical for res judicata purposes.

Nor can Rohauer find support in the recent decision of this Court in Siegel v. National Periodical Publications, Inc., 508 F.2d 909 (2d Cir. 1974). That case is fully consistent with the position of Appellants: when a cause of action turns on an issue of law which is identical with an issue necessarily disposed of by a judgment on the merits in a prior suit between the same parties or their privies, that prior judgment is res judicata as to the later cause of action. It is true that the dismissal of Rohauer's Iowa action under Rule 37(d) did not necessitate a specific finding on the sole legal issue of copyright infringement raised both there and here. However, it was Rohauer's own egregious misconduct which was responsible for that occurrence; he cannot escape the necessary legal implications of his willful contempt for the orders of a federal court.

CONCLUSION

For the reasons cited both herein and in Appellants' initial brief, the decision of the district court must be reversed, and judgment in its place entered dismissing Rohauer's complaint.

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United States court of Appeals

for the Second Circuit

Raymond Rohauer and Cecil W. Hull,
Plaintiffs-Appellees

against

Killiam Shows, Inc., et al.,

Defendants-Appellants.

**AFFIDAVIT
OF SERVICE**

STATE OF NEW YORK,
COUNTY OF NEW YORK, ss.:
Wesley Mc Daniel

, being duly sworn, deposes and says that he
is over the age of 18 years, is not a party to the action, and resides
at 2189 Pitkin Avenue, Brooklyn, New York
That on September 9, 1976, he served 2 copies of
Reply brief
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by delivering to and leaving same with a proper person or persons in
charge of the office or offices at the above address or addresses during
the usual business hours of said day.

... *Wesley McDaniel* ...

Sworn to before me this
9th day of September, 19 76

John V. D'Esposito
JOHN V. D'ESPOSITO
Notary Public, State of New York
No. 30-0932350
Qualified in Nassau County
Commission Expires March 30, 19 77